



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Required Report - public distribution

Date: 5/10/2002

GAIN Report #MY2023

Malaysia

Tobacco and Products

Annual

2002

Approved by:

B Borris

U.S. Embassy, Kuala Lumpur

Prepared by:

R Hoh

Report Highlights:

Tobacco was America's second largest ag. export item to Malaysia in 2001. Low domestic output forced the tobacco manufacturers to sharply increase flue-cured leaf imports. Imports of burley also soared in response to the sharp increase in production of US blended cigarettes. For 2002, Post expects leaf imports to decline as tobacco manufacturers work down on stocks. Domestic output of flue-cured is expected to increase to 9,400 MT while burley output is likely to rise to 1,130 MT in 2002. Cigarette prices went up by US\$0.11 to 0.13 per packet of 20 in response to a hike in import and excise duties in Oct, 2001. Effective Jan 1, 2002, the import duty on imported tobacco leaves has been reduced to US\$10.53/kg

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Unscheduled Report
Kuala Lumpur [MY1], MY

Table of Contents

Executive Summary	1
Tobacco, Unmfg., Flue Cured:	2
Production	2
Consumption	4
Trade	5
Import Trade Matrix for Tobacco, Unmfg, Flue-Cured	8
Export Trade Matrix for Tobacco, Unmfg, Flue-Cured	9
Stocks	9
Policy	9
Tobacco, Mfg., Cigarettes:	11
Production	11
Consumption	11
Prices	12
Trade	13
Export Trade Matrix for Tobacco, Mfg, Cigarettes	18
Import Trade Matrix for Tobacco, Mfg, Cigarettes	19
Policy	19
Tobacco, Unmfg., Total:	21
Production	21
Consumption	22
Trade	22
Import Trade Matrix for Tobacco, Unmfg., Total	25
Export Trade Matrix for Tobacco, Unmfg., Total	26

Executive Summary

Tobacco was America's second largest ag export item, after fresh fruits to Malaysia in 2001. Three consecutive years of low domestic output forced the tobacco manufacturers to sharply increase flue-cured leaf imports. Imports of burley tobacco also soared in response to the sharp increase in production of US blended cigarettes. The import value of U.S. flue-cured and burley leaves reached a historical high of US\$74.4 million. The U.S. remains the top supplier of tobacco leaves to Malaysia. However, Indonesia and China recorded substantial gains in the lower priced leaf import market. While the outlook for flue-cured and burley tobacco consumption is brighter in 2002, Post expects leaf imports to decline as tobacco manufacturers work down on stocks.

Heavy downpours and flooding again caused substantial damage to the 2001 crop. Despite of the drop in harvested area, better yield enabled the domestic output of flue-cured tobacco to increase to 8,299 metric tons (MT) in 2001. The outlook for 2002 is much brighter with no report of adverse weather to date. Post forecasts a drop in planted area while flue-cured leaf production is expected to increase to 9,400 MT.

Domestic burley rose to 1,096 MT in 2001, reflecting an improvement in yields. Yield per hectare rose from 1,116kg/ha in 2000 to 1,317 kg/ha in 2001. For 2002, farmers plan to increase planted area and Post expects domestic burley output to increase to 1,130 MT.

Domestic cigarette output rose marginally in 2001. With an anticipated increase in domestic as well as overseas demand, the 2002 lookout for cigarette manufacturing is more promising. Post expects a ten percent increase in cigarette output for 2002. Import duty on cigarettes and other tobacco products was raised from RM180 (US\$47.37)/kg to RM216 (US\$56.84)/kg and excise duty was increased from RM40 (US\$10.53)/kg to RM48 (US\$12.63)/kg in October 2001. In response, local manufacturers increased the cigarette price by RM0.40 to 0.50 (US\$0.11 to 0.13) per packet of 20.

Effective Jan 1, 2002, the import duty on imported tobacco leaves has been reduced from RM50 (US\$13.16) /kg to RM40 (US\$10.53) /kg. Industry observers see the decision as a preparation move to comply with the ASEAN Free Trade Area (AFTA) requirement that duty be reduced to 5 percent of its import value by 2010.

Exchange rates: Pegged at US\$1.00 = RM3.799 since 1998.

Tobacco, Unmfg., Flue Cured:

PSD Table						
Country	Malaysia					
Commodity	Tobacco,Unmfg., Flue Cured				(HA)(MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Area Planted	16750	15764	0	15972	0	15000
Beginning Stocks	18010	18010	20440	17283	20440	24702
Farm Sales Weight Prod	8000	7260	0	8299	0	9400
Dry Weight Production	7200	6535	0	7470	0	8500
U.S. Leaf Imports	6000	3452	0	6536	0	4000
Other Foreign Imports	13800	8174	0	11514	0	6000
TOTAL Imports	19800	11626	0	18050	0	10000
TOTAL SUPPLY	45010	36171	20440	42803	20440	43202
Exports	0	188	0	101	0	200
Dom. Leaf Consumption	7000	7000	0	6500	0	7450
U.S. Leaf Dom. Consum.	5000	3500	0	3600	0	4000
Other Foreign Consump.	12570	8200	0	7900	0	8550
TOTAL Dom. Consumption	24570	18700	0	18000	0	20000
TOTAL Disappearance	24570	18888	0	18101	0	20200
Ending Stocks	20440	17283	20440	24702	0	23002
TOTAL DISTRIBUTION	45010	36171	20440	42803	0	43202

Production

Heavy downpours and flooding again caused substantial damage to the 2001 crop. Only 55 percent of planted area was harvested. Better yield enabled the domestic output of flue-cured tobacco to increase 14 percent to 8,299 metric tons (MT) in 2001, still well below the quota agreed to by local cigarette manufacturers. Yield per harvested hectare rose from 795 kg in 2000 to 936 kg in 2001, much below the last decade's peak of 1,149 kg. The total value of the 2001 crop was estimated at US\$30 million compared to US\$26 million in 2000.

The outlook for 2002 is much brighter with no report of adverse weather to date. However, after three consecutive years of poor harvest, some farmer less enthusiastic in planting the first crop. As a result, Post forecasts a drop in planted area while flue-cured leaf production is expected to increase to 9,400 MT, against a given quota of 15,100 tons.

The following table provides a comparison of the domestic production quota and actual output of tobacco over the past ten years:

Year	Production Quota (MT)	Actual Output (MT)	Actual/Quota (Percent +/-)
1992	11,348	11,509	+ 1.4
1993	11,403	9,942	-12.8
1994	9,764	6,172	-36.8
1995	12,399	10,467	-15.6
1996	12,561	11,988	- 4.6
1997	13,300	11,444	-14.0
1998	14,160	11,361	-19.8
1999	14,400	7,817	-45.7
2000	15,100	7,259	-51.9
2001	15,100	8,299	-45.0
2002 1/	15,100	9,400	-38.0

1/ Estimate

Despite the reduction in harvested area, average yield per harvested area improved in CY2001, contributing to the increase in leaf output. The following table provides a comparison of output, area, and yields over the past 10 years.

		Area (HA)		Yield (KG/HA)	
Year	Output (MT)	Planted	Harvested	Planted	Harvested
1992	11,509	11,905	11,366	967	1,013
1993	9,942	12,355	10,333	805	962
1994	6,172	10,219	6,871	603	898
1995	10,467	10,525	9,889	994	1,058
1996	11,988	10,982	10,431	1,092	1,149
1997	11,444	10,790	10,148	1,060	1,127
1998	11,361	14,200	11,739	800	968
1999	7,817	18,522	8,328	422	1,065
2000	7,259	15,764	9,129	460	795
2001	8,299	15,972	8,863	520	936

Consumption

Domestic consumption of flue-cured tobacco stagnated in 2001 as the recovery of the domestic cigarette market was again hampered by another hefty price increase during the year.

The outlook for flue-cured tobacco consumption is brighter in this current year. The optimistic economic outlook and the uptrend of the local stock market augur well for the tobacco sector. The export cigarette/cut-rag market should also fares better with a strong growth anticipated in 2002. Post expects a ten percent growth in the domestic consumption of flue-cured leaves in 2002.

Trade

Three consecutive years of low domestic output forced the tobacco manufacturers to sharply increase leaf imports. The import value of U.S. flue-cured leaves reached a historical high of US\$47.6 million. In term of volume, imports of U.S. flue-cured leaves rose 89 percent while imports from Brazil dropped 42 percent in 2001. During 2000, Brazil was poised to match the US as the biggest supplier of flue-cured tobacco to Malaysia but fell to the fourth place in 2001. Other major suppliers such as Indonesia and China also recorded substantial gains in the lower priced leaf import market.

In 2001, Malaysia exported/re-exported a total of 101 MT of flue-cured tobacco , mainly to the Philippines, Singapore and China.

With the build-up in carry-over stock level and an anticipated increase in local leaf output, total flue-cured tobacco imports are expected to fall to 10,000 MT in 2002 as tobacco manufacturers work down on stocks. The United States will continue to be the top supplier, with a market share of about 40 percent.

Factors Affecting U.S. Trade

Cigarette manufacturers rely on US tobacco to maintain the desired favor in the cigarette. However, in recent years, Brazil has emerged as a formidable competitor with market share rocketing from 7 percent in 1997 to 26 percent in 2000. However, its market share dropped to 9.6 percent in 2001. Apart from being price competitive, Brazilian leaf quality has shown marked improvement over the years. Recently, Zimbabwe has also pushed for a bigger market share in Malaysia.

Trade Trends

Import volumes and values of Unmanufactured Flue-Cured Tobacco in CY2000 are provided below :

		2000 (Jan-Dec)	
		MT	Value (US\$)
1	U.S.A.	3,452	25,061,704
2	Brazil	3,010	11,527,618
3	Indonesia	1,544	4,579,874
4	Zimbabwe	908	3,125,609
5	Thailand	587	1,665,748
6	China	492	1,353,445
7	India	447	1,188,197
8	Canada	218	866,649
9	Argentina	211	415,246
10	Spain	156	318,857
11	Italy	136	544,703
12	Pakistan	122	213,612
13	Greece	118	217,401
14	Kenya	78	155,500
15	Vietnam	40	105,239
16	Germany, FR	39	106,471
17	U.A.E.	27	36,725
18	South Africa	19	49,366
19	Philippines	10	24,583
20	Uganda	8	29,891
21	Malawi	4	16,394
	--Total	11,626	51,602,832

Trade Trends

Import volumes and values of Unmanufactured Flue-Cured Tobacco in CY2001 are provided below :

		2001 (Jan-Dec)	
		MT	Value (US\$)
1	U.S.A.	6,536	47,639,633
2	Indonesia	3,937	10,682,874
3	China	2,037	5,030,389
4	Brazil	1,735	5,375,631
5	Thailand	983	2,746,492
6	Zimbabwe	808	2,958,142
7	Philippines	384	794,465
8	India	379	1,238,126
9	Spain	333	702,793
10	Canada	319	1,342,459
11	Argentina	149	315,281
12	Pakistan	133	185,473
13	Vietnam	119	321,201
14	Italy	65	320,350
15	Greece	59	144,270
16	U.A.E.	30	3,979
17	Mozambique	20	93,084
18	United Kingdom	10	7,106
19	Kenya	10	6,845
20	Germany, FR	4	21,221
	--Total	18,050	79,929,814

Import Trade Matrix for Tobacco, Unmfg, Flue-Cured

Import Trade Matrix			
Country	Malaysia		
Commodity	Tobacco,Unmfg.,Flue Cured		
Time period	Jan-Dec	Units:	Metric Ton
Imports for:	2000		2001
U.S.	3452	U.S.	6536
Others		Others	
Brazil	3010	Indonesia	3937
Indonesia	1544	China	2037
Zimbabwe	908	Brazil	1735
Thailand	587	Thailand	983
China	492	Zimbabwe	808
India	447	Philippines	384
Canada	218	India	379
Argentina	211	Spain	333
Spain	156	Canada	319
Italy	136	Argentina	149
Total for Others	7709		11064
Others not Listed	465		450
Grand Total	11626		18050

Export Trade Matrix for Tobacco, Unmfg, Flue-Cured

Export Trade Matrix			
Country	Malaysia		
Commodity	Tobacco,Unmfg.,Flue Cured		
Time period	Jan-Dec	Units:	Metric Ton
Exports for:	2000		2001
U.S.		U.S.	
Others		Others	
Switzerland	124	Philippines	58
Indonesia	46	Singapore	22
Cambodia	18	China	20
		Australia	1
Total for Others	188		101
Others not Listed			
Grand Total	188		101

Stocks

Tobacco manufacturers over purchased in 2001, resulting in an increase in stock level at the end of 2001. We foresee manufacturers working down on stocks during 2002.

Policy**Production policy**

As a result of the financial crisis which started in mid-1997, the GOM has taken measures to reduce expenditures on agricultural imports. The GOM has reversed its policy to phase out the local tobacco industry and given a mandate to Malaysian Agricultural Research and Development Institute (MARDI) and the Tobacco Board to step up research and development programs to prepare the farmers to face the eventual removal of tariff protection under the ASEAN Free Trade Area (AFTA). The Tobacco Board has been encouraging the farmers to cure their own leaves in order to eliminate the middle-men. A study of the impact of the implementation of AFTA on 10 countries shows that Malaysia is in a position to expand its tobacco sector and compete in the regional market. However, tobacco has to compete with other crops such as rice and oil palm as

land resources are limited.

Tariff Changes

Effective Jan 1, 2002, the import duty on imported tobacco leaves has been reduced from RM50 (US\$13.16) /kg to RM40 (US\$10.53) /kg. Industry observers see the decision as a preparation move to comply with the ASEAN Free Trade Area (AFTA) requirement that duty be reduced to 5 percent of its import value by 2010.

Non-Tariff Barriers

All imports of flue-cured or Virginia tobacco must be approved by the Ministry of Primary Industries (MPI). The MPI is apparently quite lenient in administering the import quota as import licenses have been routinely approved for the quantities requested by the cigarette manufacturers. In addition, cigarette manufacturers are not required to use local leaf in the manufacture of cigarettes for the export market and this augurs well for U.S. tobacco.

Competitor Activities

Most competitor countries do little in the way of market promotion but use lower prices as a selling point. In the past, only Canada made a serious effort to promote its tobacco but the promotions had minimal impact.

Tobacco, Mfg., Cigarettes:

PSD Table						
Country	Malaysia					
Commodity	Tobacco, Mfg., Cigarettes				(MIL PCS)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		/2002
Filter Production	30360	26120	0	25600	0	28300
Non-Filter Production	2640	2270	0	2850	0	3000
TOTAL Production	33000	28390	0	28450	0	31300
Imports	900	1037	0	1233	0	1100
TOTAL SUPPLY	33900	29427	0	29683	0	32400
Exports	14500	10609	0	9112	0	10000
Domestic Consumption	19400	18818	0	20571	0	22400
TOTAL DISTRIBUTION	33900	29427	0	29683	0	32400

Production

The Malaysian cigarette industry is dominated by British American Tobacco (M) Bhd (BAT) which accounts for 70 percent of the Malaysian cigarette market. JT International (the former R.J. Reynolds Tobacco Company Bhd) and Philip Morris share the remaining 30 percent. Philip Morris (PM) is the only American tobacco company operating in Malaysia and the only company committed to using US leaf. Since PM is 100% foreign-owned, 80% of its output has to be exported. Apart from manufacturing cut-fillers, PM is also producing cigarettes since the beginning of 1999.

Domestic cigarette output rose marginally in 2001. The increase in cigarette exports more than offset the decline in domestic consumption. With an anticipated increase in domestic as well as overseas demand, the 2002 lookout for cigarette manufacturing is more promising. Post expects a ten percent increase in cigarette output for 2002.

Consumption

Domestic consumption of cigarettes was hit again with a hike in import and excise duties for cigarettes and other tobacco products in October, 2001. Cigarette companies have again expressed concern that high excise duty encourages smuggling of non-duty paid cigarettes into the country. The non-duty paid (contra-bands and counterfeit) cigarettes make up roughly 20-22 percent of the total cigarette market.

The outlook for cigarette consumption is brighter in this current year. The optimistic economic outlook and the uptrend of the local stock market augur well for the tobacco sector. Post expects a eight to ten percent growth in the domestic consumption of flue-cured leaves in 2002.

Younger Malaysians prefer to smoke American-blended cigarettes. With about half of the population below age 25, the demand for these cigarettes should continue to climb. The local market share for American-blend cigarettes has expanded from 38 percent in 1998 to 45 percent in 2001. Marlboro has overtaken Salem as the current leading American-blended cigarette brand. Other good sellers include Camel, Winston, Kent, Lucky Strike and Peter Stuyvesant. However, straight Virginia or English-blend cigarettes still dominate the Malaysian cigarette market with Dunhill and Benson & Hedges being the top brands.

Prices

Effective October 22, 2001, local manufacturers increased the cigarette price by RM0.40 to 0.50 (US\$0.11 to 0.13) per packet of 20. (The previous price increase was in Oct, 2000). While this single increase was not large, cigarette prices have been raised substantially over the last 22 years. For example, the retail price of Benson & Hedges' Special Filter (20's) has gone from RM1.40 (US\$0.37) in 1980 to RM5.00 (US\$1.32) in 2001. Some representative cigarette prices are as follows (RM per pack of 20):

Cigarette Representatives	Prices
Benson (sp. Filter)	RM5.00
Rothmans International	RM5.00
Pall Mall Kings	RM5.00
Mild Seven King Size	RM5.00
Lucky Strike	RM5.20
Dunhill King Size	RM5.00
Player's Gold Leaf 100's	RM3.60
Peter Stuyvesant King Size	RM5.00
SE 555 Kings	RM5.00
Kent Kings	RM5.00
Marlboro King Size	RM5.00
Salem King Size	RM5.00
Camel (Regular)	RM5.20

Trade

Imports of cigarettes rose 19 percent in 2000. Imports from Hong Kong and the Philippines recorded substantial gains while imports of premium brands from Switzerland and Singapore went the other way. In general, very high Malaysian tariffs restrict imports of cigarettes for the local market. For example, a popular Japanese brand amongst the Japanese expatriates living in Malaysia is being produced in Malaysia instead of being imported from Japan. Imports of American and European cigarettes are destined for the higher-priced specialty shops.

Imports of cigarettes by volume and value in CY2000 are listed below:

		2000 (Jan-Dec)	
		MT	Value (US\$)
1	U.S.A.	104	1,230,448
2	Indonesia	230	3,181,123
3	Switzerland	193	4,852,136
4	Singapore	180	2,555,042
5	China	85	1,194,454
6	Hong Kong	48	1,025,581
7	Philippines	46	433,195
8	Germany	37	981,953
9	U.K.	36	1,109,732
10	Japan	33	624,004
11	U.A.E.	20	379,020
12	Cyprus	16	374,726
13	Thailand	5	58,476
14	Netherlands	1	48,018
15	Belgium	1	26,539
16	Sweden	1	14,404
17	Taiwan	1	22,044
	--Total:	1,037	18,110,896

Imports of cigarettes by volume and value in CY2001 are listed below:

		2001 (Jan-Dec)	
		MT	Value (US\$)
1	U.S.A.	23	377,840
2	Hong Kong	226	5,348,286
3	Indonesia	182	3,118,055
4	Philippines	171	2,023,139
5	Switzerland	149	3,597,009
6	Singapore	131	3,414,865
7	China	95	1,255,011
8	Japan	91	1,496,411
9	Germany	81	2,148,404
10	Cyprus	31	425,112
11	U.K.	13	302,417
12	South Africa	13	152,508
13	Belgium	7	172,703
14	Australia	7	144,194
15	Vietnam	5	41,904
16	Thailand	4	43,265
17	Taiwan	1	28,993
18	Netherlands	1	105,028
	--Total:	1,233	24,195,144

Exports of cigarettes dropped 14 percent to 9,112 MT in 2001 primarily due to the sharp decrease in demand from Hong Kong, Belgium and Thailand. Exports of low-priced cigarettes to Afghanistan have come to a halt in 2001. The outlook for cigarette exports in 2002 is more promising and Post expects cigarette exports to rebound in 2002.

Exports of cigarettes by volume and value in CY2000 are listed below:

		2000 (Jan-Dec)	
		MT	Value (US\$)
1	U.S.A.	209	1,467,486
2	Singapore	2,522	43,722,460
3	Hong Kong	2,237	24,442,825
4	Belgium	1,549	15,851,146
5	Thailand	1,542	16,118,285
6	Korea Rep.	959	10,133,154
7	Taiwan	294	3,286,856
8	Brunei	274	4,827,313
9	Cambodia	178	1,716,018
10	Philippines	159	3,052,188
11	Japan	103	928,545
12	U.A.E.	77	518,946
13	Maldives	69	690,872
14	Vietnam	66	1,951,079
15	Kuwait	62	525,788
16	Iran	50	255,850
17	Afghanistan	49	237,447
18	Loa, PDR	36	368,182
19	Ireland	35	574,778
20	Moldova	32	317,202
21	Nepal	27	271,137
22	Indonesia	17	228,921
23	Panama	8	44,116
24	Paraguay	8	49,179
25	China	7	279,194
26	Mauritius	6	198,522
27	Uruguay	6	34,691
28	Chile	4	20,058
29	Australia	3	50,083
30	United Kingdom	3	101,035
31	Bahrain	3	20,304

32	Macau	2	85,937
33	Bangladesh	1	34,009
34	South Africa	1	5,113
35	New Zealand	1	46,983
36	India	1	18,446
37	Others	10	461,427
	--Total	10,609	132,935,577

Exports of cigarettes by volume and value in CY2001 listed below:

		2001 (Jan-Dec)	
		MT	Value (US\$)
1	U.S.A.	88	590,023
2	Singapore	3,598	56,463,347
3	Hong Kong	1,608	20,606,250
4	Korea Rep.	690	6,358,894
5	Philippines	422	7,647,808
6	Thailand	375	5,779,330
7	Taiwan	366	3,874,261
8	Brunei	352	8,394,268
9	Vietnam	224	5,070,280
10	Indonesia	223	1,802,615
11	Belgium	217	2,393,187
12	Cambodia	194	1,883,829
13	Iran	182	588,256
14	China	167	6,703,749
15	Japan	97	949,624
16	Kuwait	62	329,925
17	Maldives	51	483,163
18	U.K.	38	645,663
19	U.A.E.	25	425,829
20	Nepal	20	202,190
21	Moldova	20	196,588
22	Nigeria	18	53,389
23	Panama	14	87,460
24	Jordan	13	35,631
25	Benin	13	38,238
26	Norway	8	63,874

27	Chile	7	43,615
28	Burma	4	39,423
29	Australia	3	64,315
30	Bahrain	3	20,304
31	Netherlands	1	11,899
32	Pakistan	1	3,075
33	Bulgaria	1	10,716
34	Finland	1	273,260
35	Ireland	1	11,582
46	Others	7	295,431
	-- Total	9,112	132,441,292

Export Trade Matrix for Tobacco, Mfg, Cigarettes

Export Trade Matrix			
Country	Malaysia		
Commodity	Tobacco, Mfg., Cigarettes		
Time period	Jan-Dec	Units:	Metric Ton
Exports for:	2000		2001
U.S.	209	U.S.	88
Others		Others	
Singapore	2522	Singapore	3598
Hong Kong	2237	Hong Kong	1608
Belgium	1549	Korea Rep.	690
Thailand	1542	Philippines	422
Korea Rep.	959	Thailand	375
Taiwan	294	Taiwan	366
Brunei	274	Brunei	352
Cambodia	178	Vietnam	224
Philippines	159	Indonesia	223
Japan	103	Belgium	217
Total for Others	9817		8075
Others not Listed	583		949
Grand Total	10609		9112

Import Trade Matrix for Tobacco, Mfg, Cigarettes

Import Trade Matrix			
Country	Malaysia		
Commodity	Tobacco, Mfg., Cigarettes		
Time period	Jan-Dec	Units:	Metric Ton
Imports for:	2000		2001
U.S.	104	U.S.	23
Others		Others	
Indonesia	230	Hong Kong	226
Switzerland	193	Indonesia	182
Singapore	180	Philippines	171
China	85	Switzerland	149
Hong Kong	48	Singapore	131
Philippines	46	China	95
Germany	37	Japan	91
United Kingdom	36	Germany	81
Japan	33	Cyprus	31
U.A.E.	20	United Kingdom	13
Total for Others	908		1170
Others not Listed	25		40
Grand Total	1037		1233

Policy**Marketing Policy**

All the three major cigarette manufacturers have initiated a set of new marketing standards which include restricting advertisements of tobacco brands via non-tobacco products and services. In Malaysia, this would mean, among other things, the termination of marketing efforts such as the Dunhill sponsorship of the United Kingdom Premier League Soccer games on television or Kent's concerts and musical events. The companies are expected to comply with the new standards by December 31, 2002, the new standards also require tobacco companies to feature health warnings more clearly and visibly on all advertisement material.

Tariff Changes

Import duty on cigarettes and other tobacco products was raised from RM180 (US\$47.37)/kg to RM216 (US\$56.84)/kg and excise duty was increased from RM40 (US\$10.53)/kg to RM48 (US\$12.63)/kg in October 2001.

Import Requirements

All cigarette packages are required by the GOM to carry the warning: Amaran Kementerian Kesihatan Malaysia-merokok membahayakan kesihatan ("Warning by the Malaysian Ministry of Health-smoking endangers health"). Labels must also state that the levels of tar and nicotine are below the allowable maximum levels. Where the container is a packet which is a rectangular block in shape, the words shall be placed on either side panel of the packet. The words shall be in block letters of not less than 3mm in height and in the same color and background as the name of the brand. If the words appear on a label, the label shall be securely affixed to the container. This rule applies to imported as well as domestically manufactured cigarettes.

Tobacco, Unmfg., Total:

PSD Table						
Country	Malaysia					
Commodity	Tobacco, Unmfg., Total				(HA)(MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Area Planted	19200	16595	0	16804	0	15850
Beginning Stocks	19191	19191	21700	18921	21700	26498
Farm Sales Weight Prod	8765	8188	0	9395	0	10530
Dry Weight Production	7890	7390	0	8460	0	9500
U.S. Leaf Imports	8380	6288	0	9933	0	7600
Other Foreign Imports	18620	13217	0	18617	0	14000
TOTAL Imports	27000	19505	0	28550	0	21600
TOTAL SUPPLY	54081	46086	21700	55931	21700	57598
Exports	0	355	0	433	0	550
Dom. Leaf Consumption	7560	7560	0	7300	0	8350
U.S. Leaf Dom. Consum.	7370	6250	0	6700	0	7500
Other Foreign Consump.	17451	13000	0	15000	0	16650
TOTAL Dom. Consumption	32381	26810	0	29000	0	32500
TOTAL Disappearance	32381	27165	0	29433	0	33050
Ending Stocks	21700	18921	21700	26498	0	24548
TOTAL DISTRIBUTION	54081	46086	21700	55931	0	57598

Production

The state of Sabah in East Malaysia remains the main burley growing area in Malaysia followed by the states of Kelantan and Perlis in the Peninsula. Total area rose marginally from 831 hectares in 2000 to 832 hectares in 2001. Domestic burley rose to 1,096 MT in 2001, reflecting an improvement in yields. Yield per hectare rose from 1,116kg/ha in 2000 to 1,317 kg/ha in 2001. For 2002, farmers plan to increase planted area and Post expects domestic burley output to increase to 1,130 MT.

Summary for area and production for Flue-cured and Burley

Year	1999	2000	2001	2002 1/
AREA (Hectares)				
Flue-Cured	18,522	15,764	15,972	15,000
Burley	788	831	832	850
--TOTAL	19,310	16,595	16,804	15,850

Year	1999	2000	2001	2002 1/
PRODUCTION (Metric Tons)				
Flue-Cured	7,817	7,260	8,299	9,400
Burley	585	928	1,096	1,130
--TOTAL:	8,4025	8,188	9,395	10,530

1/ Ag AH Estimate

Consumption

All the major cigarette manufacturers are stepping up cigarette and cut-rags exports to countries within the region. In line with a gradual shift to U.S. blend cigarettes in the local market, burley usage is expected to increase in the coming years.

Trade

In 2001, imports of burley rose 30 percent to 8,056 MT largely due to the increase in US blended cigarette production. Imports from the US rose 20 percent but its market share was reduced by 4 percent. China and Indonesia competed aggressively although Canada was completely off the market. Burley imports are expected to grow in 2002 in line with the anticipation of greater demand for US blended cigarette. Domestic manufacturers also imported about 2,444 MT of oriental tobacco in 2001, mainly from Turkey and Greece for blending purposes. Macedonia and Bulgaria were still off the market in 2001.

In 2001, Malaysia exported/re-exported 332 MT of burley, mainly to Australia and the Philippines.

Imports volumes and value of Total Unmanufactured Tobacco CY2000 are provided below:

		Jan -Dec 2000	
		MT	Value (US\$)
1	U.S.A.	6,288	48,799,799
2	Brazil	3,502	13,772,587
3	Indonesia	2,007	5,501,554
4	Turkey	1,531	7,275,530
5	Thailand	1,513	4,517,987
6	China	1,002	3,350,915
7	Zimbabwe	908	3,125,609
8	India	447	1,188,197
9	Malawi	341	1,142,915
10	Greece	315	1,270,844
11	Canada	306	1,541,850
12	Italy	217	1,042,666
13	Argentina	211	415,246
14	Vietnam	198	588,574
15	Spain	156	318,857
16	Philippines	149	545,834
17	Pakistan	122	213,612
18	Chile	78	382,260
19	Kenya	78	155,500
20	Switzerland	42	268,653
21	Germany, FR	39	106,471
22	U.A.E.	27	36,725
23	South Africa	19	49,366
24	Uganda	8	29,891
25	Singapore	1	22,828
	--Total	19,505	95,664,270

Imports volumes and value of Total Unmanufactured Tobacco CY2001 are provided below:

		Jan -Dec 2001	
		MT	Value (US\$)
1	U.S.A.	9,933	74,395,909
2	Indonesia	5,055	13,279,186
3	China	3,402	10,131,399
4	Thailand	2,195	7,125,312
5	Turkey	2,132	9,701,641
6	Brazil	2,081	6,486,574
7	Zimbabwe	828	3,009,117
8	Philippines	761	2,126,380
9	India	379	1,238,126
10	Greece	372	1,839,276
11	Spain	333	702,793
12	Canada	319	1,342,459
13	Argentina	149	315,281
14	Malawi	144	402,746
15	Pakistan	133	185,473
16	Italy	130	729,167
17	Vietnam	123	331,969
18	U.A.E.	30	41,884
19	Mozambique	20	93,084
20	United Kingdom	10	7,106
21	Kenya	10	6,845
22	Switzerland	8	41,026
23	Germany, FR	4	21,221
	--Total	28,550	133,553,974

Import Trade Matrix for Tobacco, Unmfg., Total

Import Trade Matrix			
Country	Malaysia		
Commodity	Tobacco, Unmfg., Total		
Time period	Jan-Dec	Units:	Metric Ton
Imports for:	2000		2001
U.S.	6288	U.S.	9933
Others		Others	
Brazil	3502	Indonesia	5055
Indonesia	2007	China	3402
Turkey	1531	Thailand	2195
Thailand	1513	Turkey	2132
China	1002	Brazil	2081
Zimbabwe	908	Zimbabwe	828
India	447	Philippines	761
Malawi	341	India	379
Greece	315	Greece	372
Canada	306	Spain	333
Total for Others	11872		17538
Others not Listed	1345		1079
Grand Total	19505		28550

Export Trade Matrix for Tobacco, Unmfg., Total

Export Trade Matrix			
Country	Malaysia		
Commodity	Tobacco, Unmfg., Total		
Time period	Jan-Dec	Units:	Metric Ton
Exports for:	2000		2001
U.S.		U.S.	
Others		Others	
Switzerland	221	Australia	230
Germany FR	56	Philippines	160
Indonesia	46	Singapore	23
Cambodia	18	China	20
Singapore	8		
Greece	6		
Total for Others	355		433
Others not Listed			
Grand Total	355		433